

## Fund Source Report

### 1258 CIF UGF UGF Deposits to the CIF

| Year Authorized | Year Repealed | Active? | Mental Health? | Duplicated? | Fund Group           |
|-----------------|---------------|---------|----------------|-------------|----------------------|
| 2019            |               | Yes     | No             | No          | Unrestricted General |

No Appropriations during last 10 years

#### Legal Authority

Legislative Finance Division tracking code

#### Source of Revenue

UGF deposits to the Alaska Capital Income Fund (CIF)

#### Restrictions on Use

Same as for code 1197, the CIF is intended to be appropriated for deferred and preventive maintenance.

#### Description and History

June 2018

With the passage of Chapter 88, SLA 2018 (SB 107), designated uses of the Alaska Capital Income Fund (CIF) became limited to preventive and deferred maintenance of state facilities. In combination with AS 37.13.145(d), which diverts a source of revenue to the CIF, two changes to budget reporting are required:

1. Amerada-Hess earnings should be identified in the Revenue Sources book as DGF revenue (rather than as UGF revenue). Deposit of Amerada-Hess earnings to the CIF occurs without a transaction--the deposit is simply a transfer of revenue that will appear both as revenue and as an expenditure when the CIF is spent as DGF code 1197. Neither Amerada-Hess earnings nor 1197 CIF appropriations affect the UGF deficit.
2. Budget structure requires an allocation for the CIF only if money other than Amerada-Hess earnings goes into the CIF (because that money should not be spent as code 1197, which applies only to the designated Amerada-Hess revenue stream).
  - a. If the CIF were an allocation under fund capitalization (duplicated), money would be counted on the way into the fund. This may discourage deposits (because they would add to the level of spending in the current year) and would distort the timing of cash flows leaving the treasury.
  - b. If the CIF were an allocation under fund transfers, money would be counted on the way out of the fund. This may encourage deposits (because they would not add to the level of spending in the current year). However, spending accumulated deposits could reduce the apparent size of a budget, which could create a hole in the budget the following year if the spending level could not be sustained.

While there are advantages and disadvantages to both approaches, a fund transfer allocation is the lesser of two evils because it is consistent with an attempt to report the timing of money leaving the treasury.

In order to allow future non-Amerada-Hess deposits into the CIF to be reported as transparently as possible, a new fund code (1258) will allow UGF appropriated to the CIF to retain the UGF classification as it is appropriated from the fund.

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There will be no attempt to clean up past deposits to the CIF; future CIF account balances will be tracked by spreadsheet but will not have tracking transactions in the budget system. Unless otherwise specified, appropriations from the CIF will spend UGF deposits before using Amerada-Hess deposits.

Fund code 1258 should be used to track expenditure of UGF deposits to the fund; fund code 1197 should be used to track expenditure of DGF (Amerada-Hess) deposits.

See

1197 Alaska Capital Income Fund